Report of the railroad wage commission to the director general of railroads, April 30, 1918. (Washington: Railroad Wage Commission. 1918. Pp. 156.)

The state and industry during the war and after. Reorganization of industry series, IV. (Oxford, Eng.: Ruskin College. 1918. Pp. 84.)

Training and employment in the printing trades. (London: London County Council. 1917. Pp. 49. 1s.)

The Western Union and the War Labor Board. The company's position. (New York: Western Union Tel. Co. 1918. Pp. 40.)

Women workers in the Philadelphia Naval Aircraft Factory. Women in war industries series, no. 4. (Washington: Committee on Women in Industry of the Council of National Defense. Oct., 1918. Pp. 47.)

Money, Prices, Credit, and Banking

Capital Today. A Study of Recent Economic Development. By HERMAN CAHN. Second edition, revised and enlarged. (New York: G. P. Putnam's Sons. 1918. Pp. xii, 376. $2.00.)

The first edition of this book appeared in 1915. Since that time many important and startling economic changes have taken place. These changes necessitated a complete revision. The most emphatic change is in the chapter entitled Money of Account, which has been entirely rewritten and largely expanded. Bank credit money has taken on new significance in the last three years in practically all the important commercial countries of the world. Loans and discounts and note issues have been increasing much faster than deposits and reserves and this fact apparently gives new and cumulative evidence of the main conclusion of the book; namely, that the present capitalistic structure would eventually fall down of its own weight. Because of the great expansion of fictitious capital due to the existence of an enormous increase of bank credit money the social solvency will be seriously endangered. The time is not far distant when people will call for the redemption of money in terms of actual values and when that time comes capitalism will be doomed.

The main hypotheses of the book are socialistic. Emphasis is placed not so much on production as upon the mechanism of exchange. Before the era of capital concentration, which has been the result of the last fifty years of economic development, the formula of the economic cycle was "commodity-money-commodity"; now the formula is "money-commodity-money." The earlier

aim was to make money a mere tool in effecting exchanges, the productive process eventuating in commodities. Now the aim is to make the productive process eventuate in profits, and these profits have tended to center in fewer and fewer hands.

The whole capitalistic system rests upon the very insecure foundation of gold. It is like a huge inverted pyramid. The base, due to the enormous expansion of money of account and the relatively small supply of gold, has become with the years increasingly attenuated. The super-structure is becoming top-heavy and is even now wobbling on its very uncertain foundation. According to the author, time will come when the whole structure will collapse like a house of cards and then will be ushered in the new régime of socialism in which all value will be estimated in terms of labor power, and exchanges will be effected directly through the use of labor tickets which will displace the money of our day.

Capital takes two forms, industrial capital and fictitious capital. Industrial capital is made up of fixed and variable capital. In this grouping are included buildings, machinery, raw materials, and labor power. A large surplus value exists as a result of the productive process. A part of this surplus goes to the capitalist class for consumption purposes, a part goes back into the business, but far the larger part takes the money form which in turn is converted into fictitious capital—stocks, bonds and mortgages, the largest part of which exist by virtue of expected profits. Little or no actual value is thus represented. These expected profits are capitalized and appear in the form of paper evidences, mere legal titles. Through the money power this fictitious capital, represented by bank credit extended to the capitalistic class, is narrowly controlled. In this way the dangerous cycle goes on.

The money system is endangered by the expanding credit facilities of the banks. Money of account becomes of more and more importance. It consists of three categories: namely, savings accounts, profit-made credit money, bank-made credit money. Savings accounts are not the sum of small deposits made by the wage-earning group, as is generally assumed, but deposits in amounts as large as $1,000 made in many savings institutions by a small percentage of the total number of depositors in such institutions. Profit-made credit money consists of deposits of cash made in commercial banks by the industrial class. Bank-made credit money originates out of loans made by the banks to clients against

which checks may be drawn and also from notes issued by banks under the federal reserve law and similar acts. In both cases there is no value back of this money. The whole operation is unsubstantial and insecure. The expansion of credit by banks has become alarming. Reserves are more and more inadequate, so, if the operation continues, the time will come when this process of profit making by banks will lead to a general collapse. Banks will not be able to redeem their promises to pay, social insolvency will ensue, and the whole economic fabric so laboriously built up will come tumbling about our ears.

EVERETT W. GOODHUE.

Colgate University.

Credit of the Nations. A Study of the European War. By J. LAURENCE LAUGHLIN. (New York: Charles Scribner's Sons. 1918. Pp. xii, 406. $3.50.)

The *Credit of the Nations* is an analytical account of the financial experience of Great Britain, France, Germany, and the United States during the first three years of the war. In the opening sentence Professor Laughlin observes: "Even though the immediate causes of the European War may have been dynastic ambition, exaggerated nationalism, and lust for power, the ultimate causes are undoubtedly to be found in economic conditions." Happily the succeeding pages, an excellent sketch of economic conditions and developments during the years preceding the conflict, do not compel the acceptance of this explanation. On the contrary, the rapid growth of German wealth and trade, the most striking feature of the chapter, forces the reader to accept rather the concluding sentence. "It is mere deception to speak as if Germany had been deprived of the chance for unlimited industrial and commercial growth in times of peace, and that she had to go to war for the right to legitimate economic development."

The financial experience of each of the countries considered is preceded by a serviceable account of monetary and banking arrangements and practice. The course of the crisis, which came with the outbreak of the war is then given detailed consideration. This is the most valuable portion of the volume. The financing of the war, and the monetary and credit changes which have marked its course are handled in more summary fashion, and the analysis is less satisfactory. Professor Laughlin is here too much concerned to find evidence for the validity of the principles of

credit which he has set forth in earlier publications. To the reviewer the inadequacy of the Laughlin theory of credit becomes strikingly evident in the light of experience during the war. The effective demand for goods, and consequently prices have risen portentously, because of an unprecedented expansion of credit. The initiating influence has been the resort to banks for more or less permanent accommodation in financing the war. Professor Laughlin does not admit this, even as a possibility, except under a régime of inconvertible paper money.

Those who do not accept Professor Laughlin's monetary views will find themselves disagreeing with him regarding many of his conclusions. A single instance will be sufficient to illustrate the matter. That German war finance has involved much inflation is evident to Professor Laughlin, because it has been largely in the form of paper money. He does not consider that there has been much inflation in Great Britain and in the United States where, owing to the general use of checks, it has been in the form of deposit credits. There may indeed have been more inflation in Germany than elsewhere, but that is a question which cannot be determined by the comparison of issues of paper money and the course of foreign exchange rates under the special restrictions on trade and gold movements, which were present during the war.

O. M. W. Sprague.

Harvard University.

Money. Its Connexion with Rising and Falling Prices. By Edwin Cannan. (London: P. S. King and Son. 1918. Pp. 66. 2s. 6d.)

This booklet presents in an interesting and popular form an explanation of the relation between money and prices. It was projected as a supplementary chapter to the author's *Wealth: a Brief Explanation of the Causes of Material Welfare* published in 1912 and was separately published because of the importance of the subject in the solution of the problems caused by the war.

The exposition begins with an explanation of the concepts, *the general level of prices* and *the value of the unit of account*, the former being declared to be merely an expression of the latter. The causes of changes in the general level of prices are then explained as the influences or circumstances which determine the demand and the supply of the unit of account, and these influences and circumstances are set forth in three sections, one treating the

general level of prices "where the unit of account is a fixed quantity of bullion uncoined or coined," the second where it is "a coin of which the issue is limited," and the third where it is "a bank note or a currency note."

The peculiarity of the author's treatment of each of these topics is the absence of any reference or appeal to the quantity theory of prices. His treatment of the demand and supply of the unit of account, as he calls it, in each of these cases is concrete and makes no use of such phrases and concepts as "the quantity of money in circulation," "rapidity of circulation," "quantity of commodities exchanged," etc.

In the first case "where the unit of account is a fixed quantity of bullion, uncoined or coined," he gives full recognition to those elements of demand which are outside of or independent of the currency, and in considering the currency demand he centers his discussion on the determination of the "magnitude of the average holding of coin" by individuals and institutions. The decisive factor in the case of individuals he finds in "the necessity or convenience of having means of payment at hand" (p. 12); and these have been so affected by "methods of setting one payment against another through banking and other agencies" that "the magnitude of the average holding of coin depends almost entirely on the magnitude of the smallest note which is allowed by law and is generally acceptable" (p. 14).

> How much coin will be held by the governments which issue paper currency and by banks, whether they issue bank notes or not, actually depends at present . . . on the decision arrived at by government and banking authorities, who often accept wholly erroneous theories, and who have to be guided to a large extent by the erroneous theories held by the public even when they do not accept them. So we find in different countries different amounts of coin held in reserve against liabilities which seem on the face of them very much the same, and very great changes in quite short periods (p. 15).

The second case considered, "where the unit of account is a coin of which the issue is limited," differs from the first in the fact that a charge is made for coinage, the effect of which is, according to the author's view, to limit the supply to such a degree as usually to raise the value of the unit above that of its metallic content by the amount of the charge. It will be somewhere between the value of its metallic content and that value plus the charge, if demand suddenly falls, but it can never fall below that

value on account of the ability of the holder to transform the coin into bullion by melting.

"Where the unit of account is a bank note or currency note" demand and supply still rule, but the value of the bullion or of the coin which constitutes the metallic unit and specified amounts of which the notes promise to pay, cannot be left out of account. The value of convertible notes cannot for any considerable length of time be above or below the value of the metallic unit, because an excess supply, which would tend to reduce their value below that point, would be at once taken from the market by conversion, and a deficient supply, which would tend to raise their value above that point, would be at once corrected by an increase of issues. The author thinks, however, that notwithstanding the fact that these notes circulate at par they tend to raise the level of prices by "displacing" coin, thus diminishing the demand for it. He thinks this tendency is to some extent counteracted by a "much larger quantity of currency (coin plus notes) being kept on men's persons than if there are no notes" (p. 46).

The case of inconvertible notes differs from that of convertible chiefly in the fact that an excess supply cannot be taken from the market by conversion and hence the value of such notes may and usually does sink below par. The author explains in an interesting way how such notes get into and are kept in circulation, but he almost entirely neglects and, in the judgment of the reviewer, underestimates the effect of purely subjective influences on their value. He seems to think that, when they once get into circulation, their value is very little influenced by anything except their demand and supply.

The author has written clearly and brought the subject within the easy comprehension of ordinary readers. He has undoubtedly rendered a service in helping to create correct public opinion on this important subject.

William A. Scott.

University of Wisconsin.

NEW BOOKS

Berges, M. and Besson, F. *Le problème monétaire et fiduciaire.* (Paris: Rivière. 1919. 5 fr.)

Blodgett, H. A. *The art of saving.* (St. Paul: Harvey Blodgett Co. 1918. Pp. 80.)

Cougnard, J. *La caisse d'épargne du canton de Genève, 1816-1916.* (Geneva: Albert Kündig. 1917. Pp. 189.)

DUCLOS, M. *La crise monétaire mondiale. Projet de solution par la création d'un billet de banque international.* (Paris: Impr. Chaix. 1918. Pp. 57.)

EBERSOLE, J. F. *Elementary banking.* (New York: Am. Inst. Banking. 1918. Pp. 288.)

EVANS, H. E. *Talks on banking to bank clerks.* (New York: Pitman. 1918. 2s. 6d.)

GARDNER, E. H. *New collection methods.* (New York: Ronald. 1918. Pp. xviii, 467. $4.)

A business man's book. It throws light on credit relationships between manufacturers, jobbers, and retail dealers. Chapter 26 treats of the trade acceptance.

GUGGENHEIM, W. *Our republic triumphant. A plea for sane banking and sound money. A plea for business operation. A plea for constitutional government.* (New York: Am. Defense Soc., 44 East 23d St. 1918. Pp. 70. 50c.)

KEMMERER, E. W. *The A B C of the federal reserve system.* (Princeton: Princeton Univ. Press. 1918. Pp. xiii, 182. $1.25.)

At first sight the book appears to be a considerably more elaborate treatise than the title would indicate, but a closer examination reveals the fact that but 90 pages, set in large type, are given to the discussion of the subject in hand. The rest of the volume is given over to four appendices containing, respectively, an annotated combined balance sheet of the twelve banks, the complete text of the Federal Reserve act and amendments, the parts of the text of the Farm Loan act affecting the federal reserve system and that part of the War Revenue act of April 24, 1917, which affects federal reserve banks. Two indexes follow, one of the act and its amendments and the other to the author's own text. The former is highly unsatisfactory since it refers only to sections, many of which cover a number of pages and subjects.

The purpose of the present work is, according to the author, "to set forth in non-technical language the chief reasons why the federal reserve system was called into being, the main feature of its organization and how it works." In his first four chapters, Professor Kemmerer has singled out for brief discussion, what he considers the four groups of chief defects of our old banking system, *viz.*, decentralization, inelasticity of credit, cumbersome exchange and transfer system, and defective organization as regards relationship with the federal treasury. The remaining four chapters point out the respective remedies which are provided by the federal reserve system. Not only are the legislative provisions of the system recorded in each case but the progress made to date in carrying them out is summarized as well. To boil down into a few brief paragraphs, free from technical language, the important features of so complicated and comprehensive a subject is by no means easy, but Professor Kemmerer has performed the task in admirable fash-

ion. Naturally, however, detailed explanation had to be sacrificed to brevity with the result that a reader without a fair knowledge of our financial mechanism and its method of operation may experience some difficulty in following some portions of the discussion.

George W. Dowrie.

Lehfeldt, R. A. *Gold prices and the Witwatersrand.* (London: King. 1918. 5s.)

Morgan, G. W. and Parker, A. J., Jr. *Banking law of New York, with supplement 1918, notes, annotations, references and amendments of 1918.* (New York: Banks Law Pub. Co. 1918. Pp. vi, 553.)

Pope, J. E. *The federal farm loan act.* (Washington: Bureau of Applied Economics, Department of Banking and Public Finance. 1917. Pp. 58.)

Rollins, M. *The banker at the boarding-house.* (Boston: Lothrop, Lee & Shepard Co. 1918. Pp. 411. $1.50.)

Sabin, C. H. *Banking evolution.* (New York: Guaranty Trust Co. 1918. Pp. 6.)

Shirras, G. F. *Memorandum of banking.* (Calcutta: Industrial Commission. 1918. Pp. 53.)

Stix, S. L. *Would the adoption of the trade acceptance be to your advantage? Address before convention of the National Coffee Roasters' Association, Cleveland, December, 1918.* (Philadelphia: George H. Paine. 1918. Pp. 16.)

Zaldari, P. *Trade acceptance discount tables.* (New York: Bankers Encyclopedia Co. 1918. Pp. 64.)

Acceptances. (New York: Guaranty Trust Co. 1918. Pp. 72.)

Bank amalgamations. Report of Treasury Committee. (London: King. 1918. 1s.)

Commercial banking practice under the federal reserve act. Revised edition. (New York: National Bank of Commerce. 1918. Pp. 127.)

Contains the law and regulations and informal rulings of the Federal Reserve Board, the opinions of counsel governing bank acceptances, rediscounts, advances and open market transactions of the federal reserve banks. A revision of the first edition, issued in July, 1917.

Loans and discounts. (Chicago: A. W. Shaw Co. 1918. Pp. xvi, 264.)

The one hundred years of the Salem savings bank. (Salem, Mass.: Salem Savings Bank. 1918. Pp. 44.)

Prices and cost of living. Reprinted from the *Monthly Labor Review*, Sept., 1918. (Washington: Bureau of Labor Statistics. 1918. Pp. 28.)

Proceedings of the tenth annual convention of the National Federation of Remedial Loan Associations. (Worcester, Mass.: Charles E. Burnham, 518 Slater Bldg. 1918. Pp. 38.)

Trust companies of the United States, 1918. (New York: Mortgage & Trust Co. 1918. Pp. lxv, 573.)

This useful annual contains statements of the condition of trust companies June 29, 1918, names of officers and directors, stock quotations, dividend rates, and the balance sheets of the trust companies of the country. More than one half of the total resources are represented by trust companies which have now joined the federal reserve system. Of the total resources of $9,381,000,000, $3,055,000,000 is accredited to New York and $1,256,000,000 to Pennsylvania. As usual, the volume contains digests of state regulations. One of the indexes lists these institutions by cities.

Public Finance, Taxation, and Tariff

A History of the Tariff Relations of the Australian Colonies. By CEPHAS DANIEL ALLIN. The University of Minnesota Studies in the Social Sciences, No. 7. (Minneapolis: Bulletin of the University of Minnesota. 1918. Pp. vi, 177. 75 cents.)

The appearance of this monograph is peculiarly timely in view of the war-induced prominence which of late has attended the question of imperial preference within the British Empire. This is so notwithstanding the sharp contrast between the world-wide scope of modern British imperial problems and the restricted range of conditions in the Australian colonies of 1860 which form the subject of Professor Allin's study. He makes it clear that all federal proposals among the struggling young colonies of that time "were looked upon with a certain amount of suspicion, as involving a possible limitation of local autonomy or a malevolent design against the welfare of the colony." The movement during the fifties and sixties for an assimilation of tariffs ended in an ignominious succession of petty squabbles. The colonies were too intent upon their own local and immediate ends to have concern for the larger aspects of intercolonial questions of interest to all. We may detect in the modern movement for imperial preference in the Empire a partial counterpart of this colonial sectionalism. Thus despite its liberalistic origin, for the purpose namely of saving the Empire from a gradual process of disintegration, the preference movement has at times been threatened by the growth within the Dominions of a spirit of protection. The parallel appears when we note the fact that the modern movement has been in danger of degenerating into a game of tariff manoeuvring, the